



[SAVE THIS](#) | [EMAIL THIS](#) | [Close](#)

Thursday, November 20, 2008

## Editorial

# Give Michigan firms relief from paying taxes on taxes

### The Detroit News

Taxes for Michigan business went up significantly with the adoption of the Michigan Business Tax and its 22 percent surcharge. It seems especially unfair that business firms must not only pay higher taxes, but taxes on taxes. That ought to be fixed this year.

The tax on a tax, in the words of Michigan Senate Finance Committee Chairwoman Nancy Cassis, R-Novi, is a "sure job killer." With Michigan's unemployment rate now exceeding 9 percent, the state can't afford to let the situation fester.

The entire surcharge on the Michigan Business Tax ought to be abolished. It is estimated to have cost Michigan firms between \$400 million and \$500 million in the fiscal year that ended in September. On an annualized basis, the cost of the surcharge is estimated at more than \$600 million.

The surcharge was a replacement for the first-time levying of the state sales tax on various services, which was repealed after it caused howls of dismay.

But in a recent analysis by the House Fiscal Agency, the Michigan Business Tax produced 42 percent more revenue than the old Single Business Tax, which it replaced. This is in part because it also replaced property taxes on business equipment, so it could have been expected to produce more revenue. The 22 percent surcharge, however, dramatically increased the state's tax burden on Michigan firms.

With the state confronting a revenue shortage of from \$300 million to \$900 million in the current fiscal year, this may not be the best climate for eliminating the surcharge. At the least, however, lawmakers ought to end the tax on a tax portion of Michigan Business Tax.

The Michigan Business Tax covers business income and gross receipts. As the tax now stands, gross receipts cover taxes paid, tax collections, bad debt, government bonds, "hedge transactions" in which firms manage their cash flow through investments to realize savings and estate planning investments in personal trusts as part of the base of the tax.

Cassis noted that if these portions of the tax base remain in place, Michigan will be the only state in the nation to tax some of the items, including government bonds. These items could be removed from the base of the Michigan Business Tax at a cost of around \$125 million per year.

Cassis noted she is working with House Tax Policy Chairman Steve Bieda, D-Warren, to come up with amendments to the legislation that both the House and Senate could agree on.


Several groups have proposed savings. Detroit Renaissance has pointed out a number of relatively minor changes in benefits or programs that could produce millions of dollars in savings. The Detroit Regional Chamber has gotten involved in promoting money-saving reforms in the state prison system.

However these savings are found, state lawmakers ought to deliver relief this year to Michigan's beleaguered businesses, which are the best source of jobs for state residents.

Some sort of message has to be sent to employers that the state is interested in keeping them.

**Find this article at:**

<http://www.detroitnews.com/apps/pbcs.dll/article?AID=/20081120/OPINION01/811200334>

 Click to Print

[SAVE THIS](#) | [EMAIL THIS](#) | [Close](#)



Check the box to include the list of links referenced in the article.